State of Missouri Office of Ombudsman for Property Rights

2022 Annual Report



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I. Introduction

The United States Constitution's Takings Clause states, "nor shall private property be taken for public use, without just compensation." The Missouri Constitution expands this protection to damaged property, stating "[t]hat private property shall not be taken or damaged for public use without just compensation." Condemnation of private property by government or authority granted by government, under the power of eminent domain, must be for a public use and it requires just compensation to the property owner.

Following the Supreme Court of the United States' decision in *Kelo v. City of New London*³ the Missouri General Assembly passed House Bill 1944 (2006), which provided additional protections for landowners and created the Ombudsman for Property Rights (the "Ombudsman").

The Ombudsman assists Missouri citizens "by providing guidance, which shall not constitute legal advice, to individuals seeking information regarding the condemnation process and procedures." The Ombudsman also documents the use of eminent domain in Missouri along with any issues associated with its use and submits that information in an annual report to the General Assembly.

II. Eminent Domain in Missouri in 2022

The year 2022 saw changes to Missouri's eminent domain laws. It also saw many landowners contact the Ombudsman for guidance regarding a variety of property rights concerns. A project that may result in the use of eminent domain authority came to light in the calls to the Ombudsman—the City of Brentwood's Redevelopment project. Further, the year 2022 saw proposed changes to perhaps one of the most well-known projects that may utilize eminent domain in Missouri—the electric transmission line known as "Grain Belt Express." Each of these items is discussed in greater detail below.

A. Amendments to Missouri's Eminent Domain Laws in Chapter 523

On June 11, 2022, Governor Mike Parson signed into law House Bill 2005, which repealed certain provisions of Chapter 523 and "enact[ed] in lieu thereof five new sections relating to eminent domain for certain utilities." 5

The new legislation made important changes to Missouri's eminent domain laws, including, but not limited to, the following:

¹ U.S. Const. amend. V.

² Mo. Const. art. 1, § 26.

³ 545 U.S. 469 (2005).

⁴ § 523.277 RSMo.

⁵ H.B. 2005, 101st Gen. Assemb., 2nd Reg. Sess. (Mo. 2022).

- (1) limiting an electrical corporation's ability to exercise eminent domain for certain projects;
- (2) limiting the time in which an electrical corporation must procure the funds necessary to complete certain projects for which they have taken property using eminent domain authority;
- (3) increasing the amount that an electrical corporation must pay for agricultural or horticultural property;
- (4) including an additional finding that a court must make when determining whether good faith negotiations occurred in certain condemnation cases; and
- (5) specifying who must be included as one of the court-appointed condemnation commissioners in certain circumstances.

These changes are generally limited to condemnations initiated by an electrical corporation⁶ and several of the changes apply only to land "involving agricultural or horticultural property."⁷

First, the amendment to § 523.010 RSMo. limits an electrical corporation's power of eminent domain authority when the electric corporation seeks to exercise that authority for "the construction of a merchant transmission line with Federal Energy Regulatory Commission negotiated rate authority" Specifically, § 523.010 RSMo. now mandates that an electrical corporation cannot exercise eminent domain authority in such circumstances unless the electrical corporation delivers an amount of electrical capacity equal to the proportion of the line that passes through Missouri. This limitation on eminent domain authority, however, does not apply to "applications filed pursuant to section 393.170 prior to August 28, 2022."

For purposes of this chapter, the authority for an electrical corporation as defined in section 386.020, except for an electrical corporation operating under a cooperative business plan as described in section 393.110, to condemn property for purposes of constructing an electric plant subject to a certificate of public convenience and necessity under subsection 1 of section 393.170 shall not extend to the construction of a merchant transmission line with Federal Energy Regulatory Commission negotiated rate authority unless such line has a substation or converter station located in Missouri which is capable of delivering an amount of its electrical capacity to electrical customers in this state that is greater than or equal to the proportionate number of miles of the line that passes through the state.

§ 523.010.8 RSMo.

⁶ The limitations generally do not extend to "an electrical corporation operating under a cooperative business plan as described in section 393.110." *See*, *e.g.*, § 523.010.8 RSMo.

⁷ See, e.g., § 523.039 RSMo.

⁸ See, e.g., § 523.010.8 RSMo.

⁹ Specifically, the statute now states, in part:

Further, the new legislation imposes a time limit on the electrical corporation's procurement of the funds necessary to complete a project for which it exercised its eminent domain authority. ¹¹ If the electrical corporation exceeds that time limit—seven years from the date that the easement rights "are recorded with the appropriate county recorder of deeds"—then it must return any involuntary easement gained by the use of eminent domain to the landowner "within sixty days and cause the dissolution of the easement to be recorded with the county recorder of deeds." ¹² In the event that the electrical corporation must return the easement, the landowner need not return any payment he or she received when the electrical corporation exercised its eminent domain authority. ¹³

House Bill 2005 also increased the amount of just compensation due to owners of "any agricultural or horticultural property" when an electrical corporation takes that property by eminent domain "for the purposes of constructing an electric plant subject to a certificate of convenience and necessity under subsection 1 of section 393.170." In that circumstance, just compensation is "an

If an electrical corporation as defined in section 386.020, except for an electrical corporation operating under a cooperative business plan as described in section 393.110, acquires any involuntary easement in this state by means of eminent domain and does not obtain the financial commitments necessary to construct a project for which the involuntary *easement was needed in this state within* seven years of the date that such easement rights are recorded with the appropriate county recorder of deeds, the corporation shall return possession of the easement to the fee simple title holder within sixty days and cause the dissolution of the easement to be recorded with the county recorder of deeds. In the event of such return of the easement to the title holder, no reimbursement of any payment made by the corporation to the title holder shall be due.

¹⁰ Id. Because Grain Belt Express Clean Line LLC filed its Application for a Certificate of Convenience and Necessity on June 30, 2016, the new provisions of § 523.010.8 RSMo. appear to not apply to the transmission line referred to as the "Grain Belt Express." Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience & Necessity, In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing it to Construct, Own, Operate, Control, Manage and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood-Montgomery 345kV Transmission Line, EA-2016-0358 (Mo. Pub. Serv. Comm'n) (No. 1) (hereinafter the "Original Grain Belt CCN Case"). However, as discussed below, on August 24, 2022, Grain Belt Express, LLC filed an Application to Amend Existing Certificate of Public Convenience and Necessity. Application to Amend Existing Certificate of Public Convenience and Necessity Authorizing it to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and Associated Converter Station, EA-2023-0017 (Mo. Pub. Serv. Comm'n) (No. 10) (hereinafter the "Grain Belt's Case to Amend").

¹¹ See § 523.025 RSMo.

¹² *Id*.

¹³ *Id.* New section 523.025 states in full:

¹⁴ See § 523.039.2 RSMo.

amount equivalent to fair market value^[15] multiplied by one hundred fifty percent."¹⁶ Similar to the amendments to § 523.010 RSMo., this amendment does not apply to applications filed prior to August 28, 2022.¹⁷

As to the court-appointed condemnation commissioners, § 523.040 RSMo. now requires that at least one commissioner be a farmer who meets certain conditions if an eminent domain proceeding involves agricultural or horticultural property condemned for purposes of constructing an electric plant. However, similar to the amendments to § 523.010 RSMo. and § 523.039 RSMo., this amendment to § 523.040 RSMo is limited to those projects for which applications are filed after August 28, 2022. 19

Though these amendments to Missouri's eminent domain laws provide greater protections for Missouri landowners, their application is limited in many circumstances.

B. 2022 Case Law Updates Regarding Eminent Domain in Missouri

There have been no significant cases concerning the exercise of eminent domain in Missouri during 2022.

the value of the property taken after considering comparable sales in the area, capitalization of income, and replacement cost less depreciation, singularly or in combination, as appropriate, and additionally considering the value of the property based upon its highest and best use, using generally accepted appraisal practices. If less than the entire property is taken, fair market value shall mean the difference between the fair market value of the entire property immediately prior to the taking and the fair market value of the remaining or burdened property immediately after the taking

In any eminent domain proceeding involving agricultural or horticultural property, for purposes of constructing an electric plant subject to a certificate of convenience and necessity under subsection 1 of section 393.170 at least one of the disinterested commissioners appointed by the court shall be a farmer who has been engaged in farming, as defined in section 350.010, for a minimum of ten years in the county where such property is situated. The provisions of this subsection shall not apply to applications filed pursuant to section 393.170 prior to August 28, 2022.

¹⁵ Section 523.001(1) defines fair market value as

¹⁶ § 523.039.2 RSMo. House Bill 2005 also amended § 523.256 RSMo., which pertains to the findings that a court must make prior to entering an order of condemnation regarding good faith negotiations. *See* § 523.256 RSMo. Specifically, a court considering a condemnation petition must find for condemnations of agricultural or horticultural property "for the construction of an electrical transmission line designed to transmit electricity at three hundred forty-five kilovolts or greater . . ." that "the total compensation package offered was no lower than the amount reflected in an appraisal . . . multiplied by one hundred fifty percent." § 523.256(3) RSMo. Similar to the amendment that increased the amount of just compensation due to owners of agricultural or horticultural property, this amendment does not apply to projects whose applications were filed prior to August 28, 2022. *Id*.

¹⁷ § 523.039.2 RSMo.

 $^{^{18}}$ § 523.040.4 RSMo. Subsection 4 of section 523.040 now provides:

C. Ombudsman of Property Rights Calls

In 2022, Missouri landowners contacted the Ombudsman regarding eminent domain activities in counties and municipalities across the State, typically following the receipt of a notice by an entity advising the landowner that it sought to acquire an interest in the owner's real property.

The Ombudsman provided guidance to these callers on a wide range of topics. Some of the issues that arose include, but are not limited to:

- (1) the Brentwood redevelopment project, discussed below;
- (2) when a property owner may be entitled to damages for the property acquired beyond the required just compensation;
- (3) partial takings/temporary construction easements;
- (4) storm drains; and
- (5) when an entity may exercise the power of eminent domain to condemn an individual's property.

D. Select Projects that May Utilize Eminent Domain Authority

There are at least two large projects that may utilize eminent domain authority that have come to the Ombudsman's attention throughout 2022. The first is an issue that arose during calls from several Missouri landowners to the Ombudsman—a redevelopment project in Brentwood, Missouri. The second is perhaps one of the most well-known projects concerning the possible use of eminent domain—the electric transmission line known as "Grain Belt Express." Each of these projects are discussed in more detail below.

1. <u>Brentwood Redevelopment</u>

The Ombudsman received several calls from individuals affected by the redevelopment project in Brentwood, Missouri. It is the Ombudsman's understanding that this project relates to the Manchester Road Corridor Development Area, which extends along Manchester Road from South Hanley Road to South Brentwood Boulevard.²⁰ Below is a picture of the site plan.

²⁰ See Green Street Real Estate Ventures, Manchester Road Corridor Development Area, BrentwoodMo.org (June 2022), https://www.brentwoodmo.org/DocumentCenter/View/30040/Green-Street-Real-Estate-Ventures_Brentwood-RFP.



Site plan from: Green Street Real Estate Ventures, *Manchester Road Corridor Development Area*, BrentwoodMo.org (June 2022), https://www.brentwoodmo.org/DocumentCenter/View/30040/Green-Street-Real-Estate-Ventures Brentwood-RFP.

It appears that Brentwood has selected Green Street Real Estate Ventures ("Green Street") as the official developer for its redevelopment project.²¹ A full discussion of the project can be found in the Request for Proposal located at:

https://www.brentwoodmo.org/DocumentCenter/View/30040/Green-Street-Real-Estate-Ventures_Brentwood-RFP.

At least one news source has reported that Green Street "says they will not use eminent domain on single-family homes, . . . their plan does include buying up numerous buildings and properties in the redevelopment area." However, at least one news source has reported on business owners' fears regarding the use of eminent domain. An online petition has been started to "Stop potential forced sale of properties on the Manchester Road corridor!"

2. Grain Belt Express Transmission Line

Perhaps one of the most notable projects concerning the potential use of eminent domain authority in Missouri is the electric transmission line known as the "Grain Belt Express." The Public Service Commission of the State of Missouri (the "Commission") previously issued Grain Belt Clean Line LLC ("GBCL") a Certificate of Convenience and Necessity to construct the Grain Belt Express

As of December 30, 2022, the petition had 1,966 signatures. Id. (last visited Dec. 30, 2022, 10:34 AM).

²¹ See Gloria Lloyd, Brentwood Selects Official Developer for \$400M Manchester Road Mixed-Use Development, 5 On Your Side (Sept. 28, 2022, 1:28 PM), https://www.ksdk.com/article/news/local/business-journal/brentwood-manchester-road-mixed-use-development/63-46e2ec4a-150e-4f14-84ce-74d2de4c46c8.

²² Alexis Zotos, \$400 Million Plan Proposes Hotel, Apartments and Restaurants on Manchester in Brentwood, KMOV4 (Aug. 10, 2022, 10:38 PM), https://www.kmov.com/2022/08/11/400-million-plan-proposes-hotel-apartments-restaurants-manchester-brentwood/.

²³ Elliott Davis, *Development Plan May Displace Brentwood Businesses*, Fox2Now (Nov. 2, 2022, 8:56 AM), https://fox2now.com/news/you-paid-for-it/development-plan-may-displace-brentwood-businesses/.

²⁴ See Petition, Change.org, https://www.change.org/p/stop-potential-forced-sale-of-properties-on-manchester-road-businesses?redirect reason=missing promotion data.

transmission line. However, in the latter half of 2022, Grain Belt Express LLC ("GBE LLC")²⁵ filed an Application to Amend that Certificate of Convenience and Necessity. Below is a short description of the original Grain Belt Express project, a description of the amendment GBE LLC now seeks, and a short update on where the project currently stands.

a. GBCL's Original Certificate of Convenience and Necessity

On March 20, 2019, following a remand from the Supreme Court of the State of Missouri, the Commission issued an Order granting GBCL's application for a Certificate of Convenience and Necessity to build the Grain Belt Express transmission line.²⁶ Specifically, this Certificate of Convenience and Necessity included an approximately 780-mile, overhead, multi-terminal +600 kilovolt high-voltage, direct current transmission line and associated facilities.²⁷ The project was to span across Kansas, Missouri, Illinois, and Indiana, including approximately 206 miles in Missouri.²⁸ Originally, the Grain Belt Express line would deliver approximately 500 megawatts of electricity to Missouri.²⁹ The original route of the Grain Belt Express line is shown below:



Original Grain Belt Express Proposed Route. Thomas F. Shiflett Direct Testimony, Schedule 4 "Construction Plan for the Grain Belt Express Clean Line" 70, *Original Grain Belt CCN Case*, EA-2016-0358 (No. 10).

Notably for purposes of this Report, the Commission in its March 20, 2019 Report and Order concluded that "Grain Belt's Project will serve the public use, and [GBCL] qualifies as a public

²⁵ On May 27, 2020, Grain Belt Express Clean Line LLC notified the Commission that it had changed its name to Grain Belt Express LLC. Letter at 1, *In the Matter of the Name Change of Grain Belt Express Clean Line LLC to Grain Belt Express LLC*, EN-2020-0385 (No. 1). On June 9, 2020, the Commission recognized the name change. Order Recognizing Name Change at 2, *In the Matter of the Name Change of Grain Belt Express Clean Line LLC to Grain Belt Express LLC*, EN-2020-0385 (No. 5).

²⁶ See generally Report & Order on Remand, Original Grain Belt CCN Case, EA-2016-0358 (No. 758).

²⁷ *Id.* 9.

²⁸ *Id*.

²⁹ *Id*.

utility." 30 This finding allowed GBCL to utilize the power of eminent domain to acquire involuntary easements to construct the Grain Belt Express line. 31

The Commission's March 20, 2019 Report and Order also included a provision that required GBCL to file an updated application with the Commission "[i]f the design and engineering of the project is materially different from how the Project is presented in [GBCL's] Application."³²

b. GBE LLC's Application to Amend the Certificate of Convenience and Necessity

On August 24, 2022, GBE LLC filed an Application to Amend Existing Certificate of Public Convenience and Necessity (the "Application to Amend") before the Commission.³³ The Grain Belt Express line's updated route is shown below:



Updated Grain Belt Express Proposed Route, available at: https://grainbeltexpress.com/landowners/.

GBE LLC's Application to Amend notes three amendments to the original Certificate of Convenience and Necessity, including:

- (1) Relocating the Missouri converter station from Ralls County to Monroe County and increasing the capacity of the Missouri converter station from 500 MW to 2500 MW;
- (2) relocating the AC connector line from Ralls County to Monroe, Audrain, and Callaway Counties, allowing for greater access of renewable power to Missouri and increasing benefits to Missouri; and

³¹ See § 523.010 RSMo.

³⁰ *Id.* 38.

³² Report and Order on Remand 52, Original Grain Belt CCN Case, EA-2016-0358.

³³ Application to Amend Existing Certificate of Public Convenience and Necessity, *Grain Belt's Case to Amend*, EA-2023-0017 (No. 10).

(3) constructing the Project in two phases, allowing Missouri to realize the benefits of the Project earlier than it otherwise would.³⁴

As to the second proposed amendment, which GBE LLC refers to as the "Tiger Connector," GBE LLC notes that the "AC tie line will be approximately 40 miles, traversing south from the converter station in Monroe County, through Audrain County, and terminating in Callaway County at the existing McCredie Substation."³⁵

In providing further details regarding the third proposed amendment, GBE LLC states that Phase I of the project will

comprise that HVDC portion of the Amended Project starting in Ford County, Kansas and traversing the State of Missouri to the interconnection at the converter station in Monroe County, and including the AC Tiger Connector, which will traverse southeast from the Monroe County converter station to points of interconnection ("POIs") at and near the existing McCredie Substation in Callaway County.³⁶

GBE LLC anticipates that Phase II will "comprise that portion of the HVDC transmission line starting at the Monroe County converter station and ending at the AEP Sullivan Substation in Sullivan County, Illinois."³⁷

As of the submission of this Report, the Commission has not ruled on GBE LLC's Application to Amend. It has entered a procedural schedule setting forth deadlines for the case, including an evidentiary hearing for May 22-26, 2023.³⁸

c. Select Updates on the Status of the Grain Belt Express

As of the submission of this Report, GBE LLC has filed at least sixteen condemnation cases against landowners. These cases stand at various procedural postures. At least seven of those cases have been dismissed. At least four of the cases have hearings currently scheduled. Also, several of the cases have various motions pending before the applicable court.

³⁴ *Id.* 1-2.

³⁵ Id. 8.

³⁶ *Id*.

³⁷ *Id*.

³⁸ Order Setting Procedural Schedule 2, Grain Belt's Case to Amend, EA-2023-0017 (No. 87).

GBE LLC has also filed suit against Chariton, Randolph, and Caldwell County. In each of those cases, GBE LLC requests that the court "compel[]" the applicable county "to act within its jurisdiction and to grant an assent to" GBE LLC to construct the Grain Belt Express line.³⁹

Further, in its Application to Amend, Grain Belt Express LLC provides the following updates as to the Grain Belt project itself:

- (1) Acquired 72% of all easements required for the Kansas and Missouri portion of the Project.
- (2) Satisfied, ahead of schedule, Kansas Corporation Commission's established deadlines for easement acquisitions as a condition of retaining siting authority in Kansas.
- (3) Achieved approvals from the Indiana Utility Regulatory Commission to authorize Invenergy Transmission to acquire, own, and operate the Project in Indiana.
- (4) Worked with various stakeholders in support of Illinois legislation permitting Grain Belt Express to file for a certificate of public convenience and necessity ("CPCN") at the Illinois Commerce Commission ("ICC").
- (5) Met all prerequisites and prepared and filed its Application for a CPCN at the ICC, Docket No. 22-0499, filed on July 26, 2022.
- (6) Worked in cooperation with various agricultural and landowner groups culminating in the enactment of House Bill 2005. []
- (7) Submitted and advanced interconnection requests at Midcontinent Independent System Operator, Inc. ("MISO") for points of interconnection on Ameren's McCredie—Montgomery 345 kV line, near the McCredie substation owned by Associated Electric Cooperative Incorporated ("AECI").
- (8) Signed an interconnection agreement with AECI for a point of interconnection at the McCredie substation.

For instance, in the case against Randolph County, GBE LLC requests that the court enter an order granting a writ of certiorari

compelling Randolph County, Missouri to act within its jurisdiction and to grant an assent to Grain Belt Express, LLC to erect poles for the suspension of electric light or power wires through, on, under or across the public roads or highways of Randolph County, Missouri consistent with the Certificate of Convenience and Necessity granted to Grain Belt Express, LLC by the Missouri Public Service Committee . . .

Petition at 24, Grain Belt Express LLC v. Randolph, Cty., Mo., 22RA-CV01107 (Randolph Cty. Cir. Ct).

³⁹ See Grain Belt Express LLC v. Chariton Cty., Mo., 22CH-CC00009 (Chariton Cty. Cir. Ct); Grain Belt Express LLC v. Randolph, Cty., Mo., 22RA-CV01107 (Randolph Cty. Cir. Ct); Grain Belt Express LLC v. Caldwell Cty., Mo., 22CL-CC00014 (Caldwell Cty. Cir. Ct).

(9) Advanced through the interconnection processes with PJM Interconnection ("PJM") and Southwest Power Pool ("SPP"), respectively.⁴⁰

III. Conclusion

The year 2022 has been of year of changes for the exercise of eminent domain in Missouri. Most notably, the Missouri General Assembly passed legislation that made significant changes to Missouri's eminent domain laws. Further, perhaps one of the most-recent well-known projects related to the exercise of eminent domain in Missouri—the Grain Belt Express transmission line—filed before the Commission an Application to Amend its Certificate of Convenience and Necessity.

Other issues relating to eminent domain also arose in the calls received by the Ombudsman for Property Rights. The Ombudsman provided "guidance, which shall not constitute legal advice" to individuals who contacted the Ombudsman. The Ombudsman also encouraged landowners to consult with an attorney if the landowner requested legal advice about their specific situation. However, it is worth noting that in many circumstances, the amount of likely damages is low enough that hiring an attorney could offset or exceed the amount of damages from the taking.

The lack of legal counsel for landowners remains a concern for condemnations and condemnation hearings, especially where the landowner wants to challenge the condemnation but cannot afford legal counsel. The entity asserting eminent domain is almost always represented by counsel that filed the petition for condemnation.

For questions about this report, please contact Lindsay VanGerpen, Associate Counsel, at (573) 751-5565 or lindsay.vangerpen@opc.mo.gov.

⁴⁰ Application to Amend Existing Certificate of Public Convenience and Necessity 5-6, *Grain Belt's Case to Amend*, EA-2023-0017 (footnotes omitted).

⁴¹ § 523.277 RSMo.